

SALES OF FARM PRODUCTS FROM OHIO FARM OPERATIONS
January 1, 1987

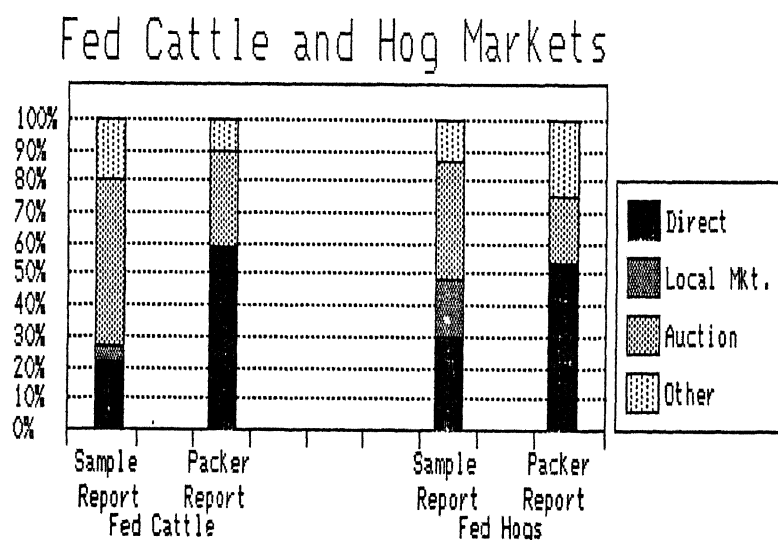
This is the sixth in a series of articles describing characteristics of nearly 1000 farm operator households surveyed by The Ohio State University in 1987. The last article summarized farm operating expenses. This article summarizes some aspects of product sales from these farms.

Marketings of fed cattle and hogs are sales for slaughter, most of which will occur within a day and within Ohio. But slaughter livestock may be shipped to packers in other states. The prevailing flow of farm product shipments in this part of the country is from west to east. Similarly, Ohio packers will buy slaughter livestock anywhere they find prices affordable, not just from Ohio. Farms and markets in Indiana or farther west may be regular suppliers.

The bars in Figure 1 summarize the Ohio response to questions about sales for slaughter. Respondents reported that about 27 percent of cattle and 48 percent of hogs were sold direct-to-packers or through local daily markets. Notice that local markets tend to be more important for hogs than for cattle. This is typical of the Cornbelt. Farther west, local markets are almost exclusively hog markets. Auctions are popular in Ohio, accounting in this survey for 53 percent of cattle sales and 38 percent of hog sales. Auctions are less important for hogs farther west. These differences appear in contrasting reports packers provide to the USDA about their sources when they buy slaughter animals.

In 1987, Ohio packers reported to the USDA that they bought nearly 60 percent of

Figure 1.



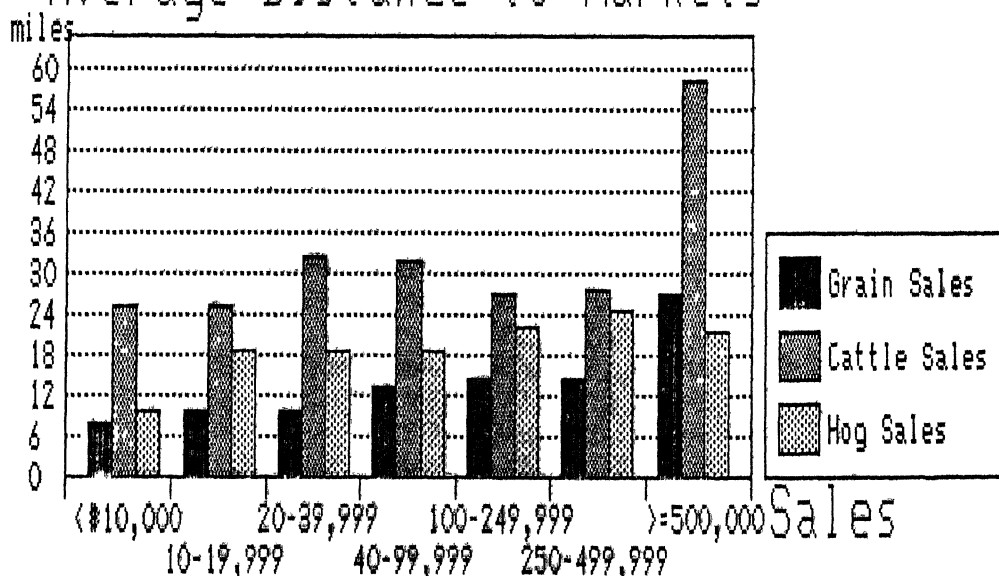
*Ohio Farm Household Longitudinal Study is supported by the Ohio Agricultural Research and Development Center and U.S. Department of Agriculture (Economic Research Service). Project staff are Lynn Forster, Robert Munoz, Linda Reif, Tom Stout, Nate Asplund, Tony Dryak, and Alex White.

farms or local markets, and they bought only 30 percent of their steers and heifers and 21 percent of their hogs from auctions. Contrasts of this kind between our household reports and the packer reports appear to confirm packer purchases from western locations where marketing patterns are different. Responses to the "other" category are not directly comparable. By "other," the packers meant large central markets at Cincinnati, Indianapolis, St. Louis and several other locations. These are not available markets for most Ohio farms. So Ohio respondents appeared to have used "other" to refer to concentration yards, dealer markets, collection points (all of which are other names for local markets), or to order buyers, truckers, or traders, all of which would have been regarded by the USDA packer reports as direct sales.

Typically, hogs moved 25 miles or less to market, and cattle less than 35 miles (Figure 2). This is not surprising, considering the large number of available markets. In 1986 there were 90 local markets, 41 auctions and over 100 packers in Ohio.

1986 crops harvested on Ohio farms had a variety of destinations. Corn is a feed grain intended for livestock consumption. Wheat is a food grain headed for world markets. Beans are oilseeds headed for processing. Hence almost all the beans and wheat were sold at harvest and headed for off-farm destinations. Almost all the hay was kept at home for feed, and more than half the corn was also fed or stored on the farm (Figure 3). CCC means stored in government-approved storage and used as collateral for loans in government price support programs. Harvest sales of grains and oilseeds are usually to local grain elevators close to the farm (Figure 2). Respondents reported that the average distance hauled was less than 15 miles, although the largest operations often traveled to larger elevators farther away. In 1986 there were over 600 locations in Ohio where farmers could deliver harvest-sale grains. Most sales of hay occur between farms and do not go through organized markets, of which there are few in Ohio, and these mostly in the Northeast. Some of the 'other storage' referred to 1986 year-end inventories mentioned by respondents in these early-1987 interviews.

Figure 2. Average Distance to Markets



Prices of farm products are notably unstable, fluctuating seasonally, weekly or even daily by amounts large enough to keep farmers uncertain about income or profit prospects when products are ready for market. Various contractual arrangements about future price and delivery are available and are used by some farmers to reduce this uncertainty (Figure 4).

Forward price or delayed price are contracts with local elevator operators. Futures or options involve organized commodity markets in cities like Chicago through which local brokers can arrange contracts for farmers. As farms get larger and the amount of money involved gets more substantial, farmers are more likely to

enter into contracts for some share (but seldom all) of a crop. Also farmers are more likely to make local agreements with markets where they are known than with brokers and commodity exchanges which seem more remote and mysterious. Contracts on crops are much more common than on livestock, although only a minority of farm operations (excepting the largest) enter into contracts of any kind for any product. Traditionally, most farmers have long held prices in the same regard as weather: something they cannot affect and which they must take as it comes.

The next article will focus on the amount of business and household debt and sources of credit.

Figure 3.

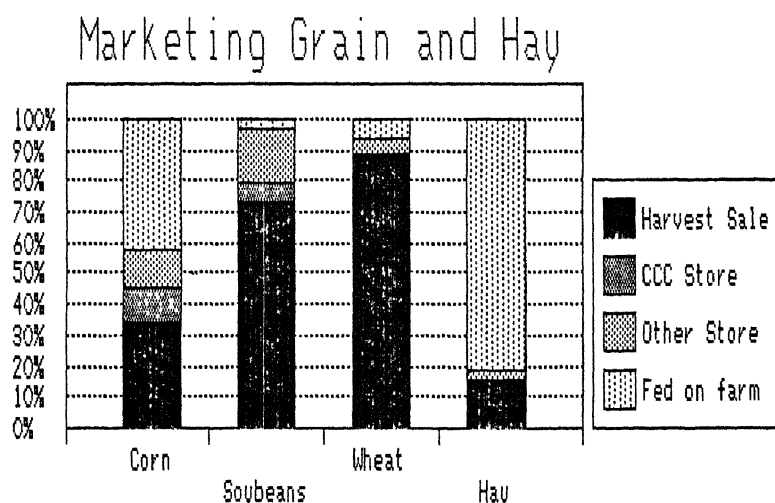
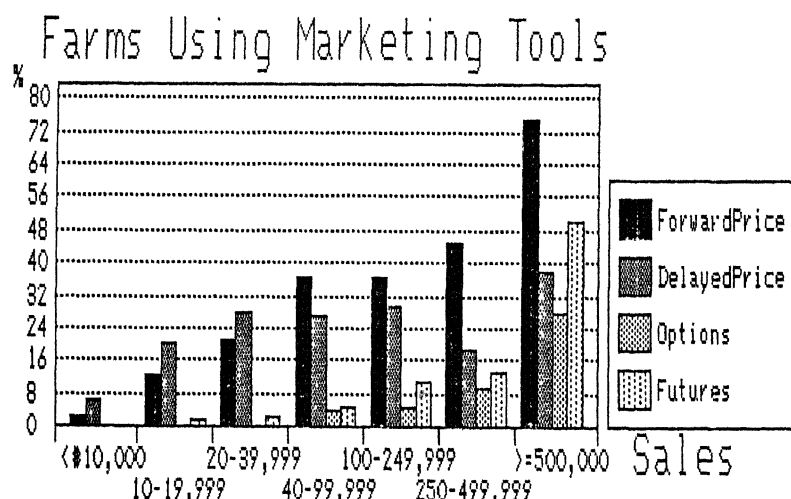


Figure 4.



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